



**Testimony of Bonnie Therrien  
on Behalf of the Connecticut Council of Small Towns  
Before the Appropriations Committee  
of the Connecticut General Assembly  
March 2, 2010**

Good morning Senator Harp, Representative Geragosian and members of the Committee. My name is Bonnie Therrien and I am the Interim Administrator of the Town of Simsbury. I'm also a former Vice President of the Connecticut Council of Small Towns, a position I held when I served as the Town Manager of the Town of Wethersfield. I appreciate the chance to be here today to talk about Governor Rell's proposed FY 2010-11 budget and its impact on smaller municipalities.

Needless to say, these are historically challenging times for all of us and we at the local level are doing our level best to make ends meet while preserving essential municipal and local education services. In Simsbury, First Selectman Mary Glassman has given her proposed budget to the entire Board of Selectmen. In her budget, which shows no increase in taxes or expenditures, in order to achieve a zero sum budget, she has proposed the following: 7 full-time layoffs; 2 part time layoffs; not filling 2 key management positions; the closing of one pool for the summer; elimination of Board and Commission clerks for minutes; and the elimination of a second bus on Mondays for Dial-A-Ride. Last year, the Town employees agreed to no raises and no steps, and some also took furlough days. With the economy the way it is right now, there is a cry for no increase in taxes from seniors, those who are long term unemployed, and those who cannot keep up with rises costs.

On the Board of Education side, at least 12 teaching positions would be cut under a budget adopted last week by the school board. While the Simsbury School Administrators' and Supervisors' Association accepted two furlough days and a freeze on spending for professional conferences, none of the other

education unions offered concessions. Obviously our town is faced with the unfortunate prospect of having to cut student services for students.

I would like to echo what my colleague, COST President Susan Bransfield, said previously. As dire as things look now, all of us are concerned with the economic tsunami we'll be facing in a little over a year if we don't have a huge reversal of our awful economic circumstances OR the federal stimulus money that represents a substantial portion of towns' ECS grants is not continued.

Let me also reiterate the sounding of an alarm which, by now, I am certain you're tired of hearing. Cuts in state aid to towns merely shift the State's economic problems to the local level, and will translate to untenable consequences: drastic cuts in municipal and K-12 education services and/or increases in property taxes.

### **CONNECTICUT'S EXTREME OVER-RELIANCE ON PROPERTY TAXES**

You all know this fact, but I think it bears repeating: The State of Connecticut is near the top of all states in terms of its reliance (or should I say extreme over-reliance) on the local property tax to pay for municipal services.

In a 2008 report written for the Federal Reserve Bank's New England Public Policy Center, Professor Richard Dye stated:

"...compared with the nation as a whole—municipal governments in New England rely very heavily on the property tax. They also have limited or no access to local-option revenues such as sales taxes, and they rely less on fees and other non-tax sources...Municipalities in these states are more vulnerable to changes in state aid, and more bound by constraints on other revenue sources. New England states and municipal governments will face enormous fiscal pressures as their population ages dramatically and they face higher pension and health care costs. This analysis suggests the need for policymakers to consider new local revenue sources and state aid formulas."

Professor Dye's conclusions were reached *before* the collapse of the stock market and this observation is obviously more relevant today than ever: "policymakers to consider new local revenue sources and state aid formulas."

This issue has been a focus of the Speaker's Blue Ribbon Commission on Municipal Opportunities and Regional Efficiencies (M.O.R.E.) – specifically the M.O.R.E. Revenue Diversification and Economic Development subcommittee where I represent COST. While there are no "magic bullet" solutions for the economic problems confronting the State and its towns, I'd like to offer some preliminary ideas that may

be worth considering. These may come before you this session as legislative recommendations of the M.O.R.E. Commission.

### **LOCAL REVENUE OPTIONS**

Before listing some of the options we have been discussing, I need to make clear there is one proposal out there that COST members would strongly oppose. It is a measure to establish a statewide property tax. Senate Bill 161 - *AN ACT ESTABLISHING A STATE-WIDE PROPERTY TAX* - would amend the general statutes "to establish a state-wide property tax of from one to five mills, to be collected by the state and distributed back to municipalities on a per capita or need-based formula." I believe this proposal, if passed, would create more and higher property taxes, which is the last thing we need in Connecticut.

I have come before this Committee quite a few years asking for revenue diversification for municipalities. We do not want to come before you begging for State aid every year, and in the last few years, things at your level have only become worse and worse. The elected and appointed leadership of your Towns and Cities have ideas that would allow us to raise other sources of revenues, and assist you in utilizing State dollars in a more efficient manner.

It is estimated (on the conservative side) that a 1% Local Hotel Occupancy Tax would bring into the State an additional \$2,787,727.90. The M.O.R.E Sub-Committee that I am serving on, will be recommending a 3% Local Hotel Tax – 1% that will go to the Host Community; 1% to go to the regional towns that do not have hotels; and 1% to go to the Council of Governments and Regional Planning Agencies to assist in regionalizing services and programs.

In lieu of TAR funding, the State could vote to allow for a \$10 additional vehicle registration fee which would be used exclusively by the municipalities for local road repaving. Based on Federal Highway transportation numbers in 2007, there were a total of 3,005,192 private and commercial motor vehicles in CT. Based on these numbers, this would generate \$30 million dollars for the municipalities. We could prominently place something on the registration forms saying that the \$10 would be going towards the repair of local roads.

Many States allow their communities the ability to go to the voters about enacting local option taxes on meals, general sales, income and payroll. These local option taxes could be used to fund capital expenses, or one time expenses, which would allow the municipalities to not rely so heavily on State dollars. Based on 2007 data, the CT Department of Revenue Services estimated that a 1% local option sales and use tax

could generate \$1,062,983,108.

### **REGIONALIZED MUNICIPAL SERVICES NO “MAGIC BULLET”**

Regarding regional collaboration and shared municipal services, I can tell you from experience that Connecticut towns – including those I have been privileged to serve – have undertaken hundreds of such initiatives on a *voluntary* basis where they make economic and administrative sense, and will continue to do so. I caution legislators and the Governor NOT to take precipitous action that would mandate the consolidation of local government services.

Regionalism is by no means a guarantee of significant cost savings. As economist Dr. Steven Lanza, executive editor of *The Connecticut Economy*, found in his 2008 research on the subject of consolidation and regionalized municipal services, “...expanding the scale of government non-education services is unlikely to generate any significant cost savings, and may actually make public services more expensive.” We would certainly welcome a continuation of the one-time regional incentive grants the State funded a few years back. Many communities used the seed money provided by these competitive grants to undertake some innovative, shared-services arrangements that saved some money and made public management sense. Most of these were funded through the Regional Council of Governments and Planning Organizations. I cannot tell you how helpful these regional entities (specifically CRCOG for Simsbury and Wethersfield) were to assisting the municipalities to complete some regional projects that will make the towns so much more efficient and effective – Regional Building Permit On-Line Application, Regional Health District Software, Regional Emergency Management Facility, and Regional Police Training Facility, to name a few projects. I cannot tell emphasize to you enough that none of these regional initiatives would have taken place and been implemented without the COGS and RPOS. Municipalities do not have enough staff to do the work necessary to make these voluntary regional programs a reality, so we need to have the State fund the COGS and RPOS to a level whereby they can become the backbone and worker bees for the towns to successfully implement regionalism.

Thank you for your thoughtful consideration. I’d be pleased to answer any questions you might have.